

No: 98-09
Date: March 13, 1998

FEDERAL HOUSING FINANCE BOARD

Amendment to the Financial Management Policy
of the Federal Home Loan Bank System

WHEREAS, Section 11(c) of the Federal Home Loan Bank Act (Act) [12 U.S.C. 1431 (c)] authorizes the Federal Housing Finance Board (Finance Board) to issue consolidated Federal Home Loan Bank (Bank) bonds (COs); and

WHEREAS, Finance Board regulations [12 C.F.R. §910.1(a)] require the Finance Board to determine and authorize the issuance of all consolidated bonds, including terms and conditions, and other characteristics of such bonds, but permit the Finance Board to delegate this responsibility; and

WHEREAS, Section 2B(b)(1) of the Act [12 U.S.C. 1422b(b)(1)] authorizes the Finance Board to delegate ministerial functions, including issuing COs, to a joint office of the Federal Home Loan Bank System (System); and

WHEREAS, the Office of Finance (OF) under the management of its Board of Directors (OF Board) has been established by the Finance Board as a joint office of the System to act as the Fiscal Agent for the FHLBanks; and

WHEREAS, the Finance Board prescribes the types of debt structures that may be offered by the OF Board in an annual debt issuance authorization; and

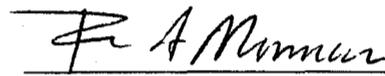
WHEREAS, the Financial Management Policy (FMP) adopted by the Finance Board sets forth the terms and conditions under which the Federal Home Loan Banks (FHLBanks) may participate in COs; and

WHEREAS, the proposed revision to the FMP will allow the FHLBanks to participate in debt offered by the OF;

NOW, THEREFORE, BE IT RESOLVED, that Footnote Number 5 of the FMP is amended to read as follows:

5. A "financial index" is defined as an index that pertains to: 1) interest rates, 2) baskets of equities, 3) currencies, or (4) aggregate measures of inflation, sanctioned by a national government, including those derived from aggregate measures of economic performance and prices. In the event of debt tied to a basket of equities, the basket should include a sufficient number of equities to ensure that the movement of the index is not dictated by the performance of just one equity in the basket. To be considered "eligible," an index must be publicly available and verifiable independent of underwriters or selling group members. For an index that pertains to a foreign country, that country must be assigned a Country Risk Rating of not lower than AA- by Thomson Bankwatch. In the event a country is not rated by Thomson Bankwatch, Sovereign Risk Ratings from Moody's or Standard & Poor's may be used subject to the following requirements: a country must be assigned a Sovereign Risk Rating for long-term bonds or deposits from Moody's of not lower than Aa3 or a Sovereign Risk Rating for Foreign Currency from Standard & Poor's of not lower than AA-. The European Currency Unit (ECU) and the euro shall be deemed eligible indices.

By the Board of Directors of the
Federal Housing Finance Board

A handwritten signature in black ink, appearing to read "Bruce A. Morrison". The signature is written in a cursive style and is positioned above a horizontal line.

Bruce A. Morrison, Chair